

Message Text

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ORIGIN EA-12

INFO OCT-01 EUR-12 IO-13 ISO-00 SS-15 EB-08 TRSE-00
NSC-05 SIG-03 SP-02 ICA-11 AID-05 STR-07 OMB-01
CEA-01 CIAE-00 COME-00 FRB-03 INR-10 NSAE-00
XMB-02 OPIC-03 LAB-04 SIL-01 L-03 H-01 PA-01
AGR-01 /125 R

DRAFTED BY EA/EP:ACALBRECHT:STMCP
APPROVED BY E: MR. COOPER
E:SCANNER (DRAFT)
EB:RHORMATS (DRAFT)
TREASURY:HJUNZ (DRAFT)
NSC:GERB (DRAFT)

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R 120012Z AUG 78
FM SECSTATE WASHDC
TO AMEMBASSY BANGKOK
AMEMBASSY JAKARTA
AMEMBASSY KUALA LUMPUR
AMEMBASSY MANILA
AMEMBASSY SINGAPORE
INFO AMEMBASSY TOKYO
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AMEMBASSY BONN
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USOECD, USEEC

E.O. 11652: N/A

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TAGS: ETRD

SUBJECT: US-ASEAN DISCUSSION ON COMMON FUND

REF: STATE 198329

1. SUMMARY: ON AUGUST 4 UNDER SECRETARY COOPER HELD
DETAILED SUBSTANTIVE DISCUSSION OF COMMON FUND WITH TEAM
OF ASEAN ECONOMIC MINISTERS AND SENIOR OFFICIALS HEADED
BY WIDJOJO AND VIRATA. HE INDICATED THAT WE SHOULD HAVE

A CLEAR UNDERSTANDING ON ELEMENTS OF A FINAL PACKAGE BEFORE ENTERING THE FORMAL NEGOTIATING STAGE. COOPER EXPLAINED THE SEVERE PROBLEMS WE WOULD HAVE WITH CONGRESS IN JUSTIFYING DIRECT CONTRIBUTIONS TO CF WHICH MIGHT THEN BE USED TO FINANCE A COMMODITY AGREEMENT THE U.S. HAD NOT APPROVED. HE ALSO POINTED OUT THAT THE SECOND WINDOW WOULD BE RESISTED ON THE HILL AS ANOTHER MULTILATERAL AID INSTITUTION. HE MADE CLEAR, HOWEVER, THAT THIS DID NOT MEAN THAT THE U.S. WAS AGAINST QTE OTHER MEASURES UNQTE. ON THE CONTRARY, THE U.S. FAVORED OTHER MEASURES SUCH AS MARKET DEVELOPMENT AND R AND D. THE INTERNATIONAL WOOL SECRETARIAT WAS EXCELLENT EXAMPLE OF WHAT COULD BE DONE. COOPER ALSO EXPLAINED THAT BOTH SIDES NEEDED TO LOOK AT VOTING RIGHTS AND TERMS OF REFERENCE OF CF TO FIND ELEMENTS WHICH COULD BE USED TO DEVELOP A MUTUALLY SATISFACTORY SOLUTION.

THE ASEAN SIDE LED BY WIDJOJO MADE A POINT OF CITING JOINT PRESS STATEMENT LANGUAGE ON CF AND WELCOMED THE U.S. COMMITMENT TO EARLY RESUMPTION OF NEGOTIATIONS. THEY ALSO AGREED WE SHOULD NOT ENTER A FORMAL NEGOTIATING CONFERENCE WITHOUT AN UNDERSTANDING BETWEEN THE G-77 AND GROUP B ON MAJOR ELEMENTS OF CF. THEY MADE CLEAR THEY CONSIDERED LIMITED OFFICIAL USE
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DIRECT CONTRIBUTIONS THE SINE QUE NON FOR THE G-77, BUT CONCEDED THAT THE G-77 HAD NOT THOUGHT MUCH ABOUT VOTING RIGHTS IN CF. THEY STRESSED, HOWEVER, THAT THEY WANTED SOMETHING THAT WOULD GIVE THEM A GREATER ROLE THAN THEY HAD IN THE IMF OR IBRD. END SUMMARY.

2. GIVEN LIMITED TIME AVAILABLE IN PLENARY SESSION FOR DETAILED EXCHANGE OF VIEWS ON KEY COMMODITY ISSUES, ESPECIALLY COMMON FUND, UNDER SECRETARY COOPER AGREED TO SIDE TALKS WITH TOP ASEAN ECONOMIC MINISTERS AND OFFICIALS. DETAILED DISCUSSION HELD AUGUST 4 FROM 5:00 TO 7:30 P.M. US SIDE LED BY COOPER INCLUDED HORMATS, HEGINBOTHAM AND ALBRECHT (STATE), ERB (NSC) AND JUNZ (TREASURY). ASEAN SIDE WAS LED BY WIDJOJO (INDONESIA) AND VIRATA (PHILIPPINES) AND INCLUDED GOH (SINGAPORE), KHOSA SINGH (MALAYSIA), GENEVA-BASED AMBASSADOR XUTO (THAILAND)

3. COOPER OFFERED TO DISCUSS CF, INDIVIDUAL COMMODITIES, UN COMMITTEE OF THE WHOLE, IMF COMPENSATORY FINANCING FACILITY AND UNCTAD V. ASEAN SIDE REPLIED THEY WISHED TO CONCENTRATE ON CF.

4. COOPER LED OFF AND REVIEWED CURRENT STATE OF PLAY INCLUDING INFORMAL DISCUSSIONS HELD BY COREA CITING CONSTRUCTIVE ROLE PLAYED BY ALATAS OF INDONESIA. HE NOTED IMPORTANT QUESTION OF DECISION-MAKING HAD NOT YET

BEEN DISCUSSED. COREA WAS PLANNING ANOTHER MEETING IN 5-6 WEEKS AND WE HOPED NEGOTIATIONS WOULD RESUME BEFORE THE END OF THE YEAR AND WOULD BE SUCCESSFUL. IT WAS NOT IN OUR INTEREST OR THAT OF G-77 THAT NEGOTIATING CONFERENCE BE A REPETITION OF LAST YEAR. WE THEREFORE HAD TO BE CLEAR ON THE MAJOR ELEMENTS BEFORE A NEGOTIATING CONFERENCE BEGINS IN ORDER TO ENSURE THE SUCCESS DESIRED BY THE U.S. AND REFLECTED IN STATEMENTS BY SECRETARIES VANCE AND BLUMENTHAL.

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5. COOPER CITED TWO KEY ISSUES WHICH POSED PROBLEMS FOR THE U.S.: DIRECT CONTRIBUTION AND THE SECOND WINDOW. IN BOTH CASES OUR PROBLEMS STEMMED FROM CONGRESSIONAL CONCERN OVER APPROPRIATING MONEY TO INSTITUTIONS WHOSE DETAILED PURPOSES HAD NOT BEEN DEFINED. DIRECT CONTRIBUTION TO THE FIRST WINDOW WOULD BE A PROBLEM SINCE THE CF COULD PROVIDE FUNDS TO ASSIST AN ICA WHICH HAD NOT YET BEEN APPROVED OR HAD BEEN REJECTED BY CONGRESS. WE WOULD LIKE TO DEVISE A MECHANISM WHEREBY WE COULD ASSURE CONGRESS THAT THEY WILL BE ABLE TO APPROVE EACH ICA AS IT COMES UP. THE PROBLEM ON THE SECOND WINDOW IS THAT CONGRESS WILL SEE IT AS YET ANOTHER AID-GIVING DEVICE. WE ARE ALREADY HAVING PROBLEMS MEETING OUR PLEDGES AND ARE 800 MILLION DOLLARS IN ARREARS ON PAYMENTS TO IFIS. WE FEAR THAT IF WE ASK FOR CONTRIBUTION TO AN AID TYPE SECOND WINDOW THIS WILL COMPLICATE CONGRESSIONAL APPROVAL OF A CF EVEN FURTHER AND IN THAT SENSE THE SECOND WINDOW IS THE ENEMY OF THE FIRST.

6. COOPER EMPHASIZED THAT US CONCERNS OVER SECOND WINDOW SHOULD NOT BE INTERPRETED AS OPPOSITION TO QTE OTHER MEASURES UNQTE. ON THE CONTRARY WE HAVE CONCLUDED THAT THERE ARE IMPORTANT AREAS NOT ADEQUATELY COVERED BY EXISTING INSTITUTIONS E.G. MARKET DEVELOPMENT SCHEMES, PRODUCT IMPROVEMENT AND PRODUCTIVITY GAINS ESPECIALLY FOR AGRICULTURAL PRODUCTS. INTERNATIONAL WOOL SECRETARIAT IN LONDON IS GOOD MODEL OF WHAT CAN BE DONE ON PRODUCT R AND D AND MARKETING AND WE WOULD BE PREPARED TO CONTRIBUTE TO THIS KIND OF APPROACH FOR OTHER COMMODITIES.

7. COOPER EXPLAINED THAT PROBLEM WITH SECOND WINDOW WAS THE FINANCIAL ASPECT. WE COULD SEE A COORDINATING ROLE FOR CF IN OTHER MEASURES. IF OTHER ELEMENTS FELL INTO
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PLACE, US IN THE END COULD PROBABLY ACCEPT A SECOND

WINDOW WITH VOLUNTARY CONTRIBUTIONS. HOWEVER, U.S. COULD NOT CONTRIBUTE IN THE FORESEEABLE FUTURE. WE HAVE NOT SAID MUCH ABOUT THIS FOR FEAR WE WOULD GIVE OTHER NATIONS AN EXCUSE FOR NOT CONTRIBUTING BUT THERE IS SOME ROOM FOR MANEUVER IN THIS AREA. ON DIRECT CONTRIBUTIONS TO THE FIRST WINDOW WHAT WE NEED IS A CLEAR ECONOMIC RATIONALE TO ARGUE BEFORE CONGRESS. WE COULD NOT SEE SUCH A RATIONALE NOR HAD THE G-77 PROVIDED ONE. AS SECRETARY VANCE SAID WE WANT TO SEE A SUCCESSFUL CONCLUSION. GROUP B PREPARED AN HONEST PROPOSAL BUT BY EXCLUDING OTHER MEASURES IT WAS ADMITTEDLY NOT A COMPLETE ONE. WE HOPE THIS FALL WE CAN HAVE FURTHER INFORMAL CONVERSATIONS TO PREPARE FOR NEGOTIATIONS AND REACH UNDERSTANDING ON THE SHAPE OF AN AGREEMENT BEFORE THE FORMAL NEGOTIATIONS BEGIN.

8. WIDJOJO RESPONDED BY OUTLINING POLITICAL IMPORTANCE TO ASEAN OF SERIES OF MEETINGS IN 1979: G-77 ASIA GROUP IN FEBRUARY, MARCH G-77 MEETING AND UNCTAD V IN MANILA.

WIDJOJO SAID ASEAN LIKE U.S. WOULD NOT LIKE TO SEE CF NEGOTIATIONS FORMALLY RESUME IN NOVEMBER OR DECEMBER WITHOUT FIRST HAVING PROSPECT OF AGREEMENT. WE NEED AN UNDERSTANDING IN ADVANCE BETWEEN GROUP B AND G-77 SO NEGOTIATING CONFERENCE COULD WORK ON TEXTS -- THE MAJOR ISSUES WOULD HAVE TO BE AGREED ON IN ADVANCE. WE WOULD HAVE TO WORK OUT AN UNDERSTANDING AND MAKE SURE G-77 HAD A CONSENSUS IT COULD FULLY SUPPORT. THEREFORE WE MUST USE COMING MONTHS TO CONCENTRATE ON DOING OUR HOMEWORK. WE ALSO HAVE TO KEEP THE POLITICAL IMPRESSION IN MIND. ASEAN WOULD LIKE TO HAVE ALL COUNTRIES PARTICIPATE INCLUDING GROUP D WHICH UP TO NOW HAD DONE NOTHING. XUTO WELCOMED QTE POLITICAL WILL UNQTE OF U.S. FOR EARLY SUCCESSFUL NEGOTIATIONS AND AGREED WE WOULD NEED TO HAVE ROUGH IDEA OF TYPE OF CF WE CAN HAVE BEFORE NOVEMBER LIMITED OFFICIAL USE LIMITED OFFICIAL USE

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NEGOTIATIONS. HE WAS PLEASED THAT U.S. SUPPORTED OTHER MEASURES AND SAID THAT ASEAN AGREED ON R AND D AND PRODUCT IMPROVEMENT. ON CAPITAL STRUCTURE HE SAID G-77 WAS CONSIDERING 3-TIER SYSTEM FOR DIRECT CONTRIBUTIONS AND REITERATED THAT DIRECT CONTRIBUTION IDEA COULD NOT BE DISCARDED.

9. DECISION-MAKING: WIDJOJO EXPLAINED G-77 FELT STRONGLY THAT CF SHOULD NOT BE REPLICA OF IMF OR IBRD -- SOME ADJUSTMENTS WOULD HAVE TO BE MADE TO GIVE LDCA A GREATER ROLE. COOPER GAVE FOLLOWING EXAMPLES: (A) ONE MIGHT DERIVE VOTING SYSTEM BY TAKING OVER VOTING STRUCTURE OF INDIVIDUAL ICAS AND APPLYING IT TO CF THUS REFLECTING BOTH CONSUMER AND PRODUCER INTERESTS -- COUNTRY WOULD GET

PRODUCER AND CONSUMER POINTS FROM POSITIONS IN THE ICAS AND THEN ADD THEM TO GET TOTAL VOTING WEIGHT IN CF; (B) COREA HAD BEEN THINKING OF VOTING SYSTEM MODELED ON PRIVATE CORPORATION WHERE VOTE CORRESPONDED TO SHAREHOLDING. ASEAN REPRESENTATIVES CLEARLY PREFERRED GREATER ROLE FOR LDCS AND COOPER ARGUED HIS SUGGESTION WOULD GIVE WEIGHT TO PRODUCER INTERESTS. BOTH SIDES AGREED THAT DECISION-MAKING AND VOTING WERE IMPORTANT ELEMENTS WE SHOULD BE FURTHER EXPLORED. COOPER NOTED THAT WE HAD REPORTS THAT COREA BELIEVED HE HAD RECEIVED SUPPORT FOR DIRECT CONTRIBUTIONS IN HIS DISCUSSIONS WITH PRIVATE BANKERS. THEY THOUGHT CF WITH LARGE CAPITAL WOULD HELP ITS IMAGE WHEN IT APPROACH THE MARKET. THE NUANCE WE GET IN OUR CONVERSATIONS WITH BANKERS IS THAT WHILE DIRECT CONTRIBUTIONS ARE DESIREABLE THEY ARE NOT A NECESSARY CONDITION. WHAT IS IMPORTANT, HOWEVER, IS GOVERNMENT GUARANTEES BEHIND CF. JUNZ ADDED THAT TREASURY CONVERSATIONS WITH BANKERS INDICATED THAT BANKERS JUDGMENT AS TO THE SKILL AND AUTHORITY OF MANAGEMENT LIMITED OFFICIAL USE LIMITED OFFICIAL USE

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TEAM WOULD HAVE GREAT INFLUENCE OF CF CREDIT-WORTHINESS.

10. DIRECT CONTRIBUTION AND LINK BETWEEN ICAS AND CF: COOPER NOTED THAT IF A STRONG ECONOMIC ARGUMENT COULD BE MADE WE COULD CONSIDER IT CLOSELY, BUT 100 MILLION DOLLARS IS A SUBSTANTIAL SUM AND WE NEED AN ANSWER AS TO WHY IT SHOULD BE CONTRIBUTED (BUT PROBLEMS CITED PARA 5 STILL APPLY). HE WENT ON TO EXPLAIN THAT POOLING OF RESOURCES OF ICAS CREATED REAL ECONOMIES AND THAT CF HAD REAL ROLE IN MOVING EXCESS FUNDS FROM ONE ICA TO HELP ANOTHER. WITH SEVERAL ICAS NOW IN EXISTENCE, PRICES WOULD BE HIGH FOR SOME WHEN OTHERS WERE LOW (COFFEE NOW HIGH, SUGAR LOW). A LINK COULD PERHAPS BE MADE BETWEEN GUARANTEES BEHIND INDIVIDUAL ICAS AND CF BUT WE HAVE NOT FOCUSED MUCH ON THIS QUESTION.

COOPER REITERATED PROBLEMS WE HAVE WITH EXTREME RELUCTANCE OF CONGRESS TO APPROPRIATE MONEY OR APPROVE GUARANTEES FOR PURPOSE IT HAS NOT EXPLICITLY APPROVED. THIS ATTITUDE MAY LAST FOR ANOTHER 10 YEARS. CONGRESS IS DISTRUSTFUL OF BOTH YOU AND US AND HAS REASSERTED ITS CONTROL. WE MUST BE SENSITIVE TO THIS. PERHAPS WE CAN WORK OUT SOME TRADE OFF BETWEEN DECISION-MAKING AND FINANCING ARRANGEMENTS FOR THE CF. WIDJOJO EXPRESSED CONCERN THAT IF THERE ARE NO DIRECT CONTRIBUTIONS THERE WILL NOT BE ENOUGH PARTICIPATION IN ICAS. COOPER BELIEVED SUCH UNIVERSAL PARTICIPATION COULD BE ACHIEVED THROUGH ICAS SINCE MOST COUNTRIES HAVE EITHER A PRODUCER OR CONSUMER INTEREST. KHOSA OF MALAYSIA THOUGHT BURDEN ON CERTAIN PRODUCERS WOULD BE TOO HEAVY IN SYSTEM BASED ON INDIVIDUAL ICAS.

(HIS LATER REMARKS ALSO INDICATED RELUCTANCE TO PUT TIN MONEY IN CF.) OTHERS SHOULD HELP SHARE THAT BURDEN. COOPER DOUBTED THAT CF COULD PASS THE BURDEN OFF TO COUNTRIES WHICH DID NOT HAVE A REAL INTEREST. POLITICAL ARGUMENTS MIGHT BE USED TO GET A SMALL CONTRIBUTION I.E. LIMITED OFFICIAL USE
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150 COUNTRIES MIGHT PUT IN 100 TO 200,000 DOLLARS BUT THIS WOULD ONLY YIELD 15-30 MILLION DOLLARS.

THIS APPROACH WOULD ONLY WORK IF RICH PERSIAN GULF COUNTRIES WANTED TO SERVE AS BENEFACTORS AND MAKE A BIG CONTRIBUTION -- BUT THERE IS NOTHING IN IT FOR THEM IN REAL ECONOMIC TERMS. COOPER REITERATED THAT CF BASED ON ICA POOLING APPROACH WOULD YIELD REAL SAVINGS. WIDJOJO ARGUED THAT CF WOULD BE ABLE TO GET BETTER TERMS IN CAPITAL MARKETS. COOPER AGREED THAT CF AS SINGLE LARGE INSTITUTION AND LARGE BORROWER WOULD HAVE AN ADVANTAGE AND THIS WAS WORTH SOMETHING. IN RESPONSE TO ASEAN QUESTIONS COOPER GAVE DETAILED EXPLANATION OF

FINANCIAL BENEFIT TO GOVERNMENTS FROM CF BASED ON POOLING OF RESOURCES OF INDIVIDUAL ICAS WHICH WE NOW HAVE OR WHICH ARE UNDER SERIOUS DISCUSSION -- COFFEE, COCOA, SUGAR, TIN, RUBBER AND COPPER.

11. ON FINANCING FORMULA, WIDJOJO SUGGESTED THAT SOLUTION MIGHT LIE IN MINIMUM EQUAL CONTRIBUTIONS BY ALL WITH ADDITIONAL CONTRIBUTIONS ON TOP BASED ON ANOTHER FORMULA. COOPER POINTED OUT THAT IF THE UN FORMULA WERE USED SOME COUNTRIES CONTRIBUTIONS WOULD EXCEED THEIR SHARE IN THE TRADE AND WE HAD TO ASK WHETHER COUNTRIES WOULD BE WILLING TO DO THIS. HE AGREED NEVERTHELESS THAT WE SHOULD DO THE NECESSARY CALCULATIONS BASED ON THE 6 COMMODITIES AND SEE HOW THEY MATCHED UP. KHOSA THOUGHT G-77 MIGHT ACCEPT FINANCING HAVING THREE ELEMENTS -- AN EQUAL SHARE, A SHARE BASED ON ABILITY TO PAY (UN FORMULA) AND A TRADE-BASED SHARE (THE QUESTION OF WEIGHTS WAS OPEN). WIDJOJO SAID THAT IF WE WENT ROUTE OF INDIVIDUAL ICAS WE WOULD NEVER GET THE PERSIAN GULF COUNTRIES; BUT WE MIGHT
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GET THEIR CONTRIBUTION IF WE WENT THE DIRECT CONTRIBUTION ROUTE. COOPER AGREED THAT THERE MIGHT BE SOME ADVANTAGES TO UNIVERSAL PARTICIPATION BUT THE REAL QUESTION WAS WHETHER THESE COUNTRIES HAD ANY REAL REASON TO JOIN CF. WIDJOJO GAVE THREE REASONS (A) REDUCED BURDEN ON PRODUCERS (B) ABILITY TO ATTRACT CAPITAL AT

EASIER TERMS (C) LENDING AT BETTER TERMS. COOPER REMAINED DUBIOUS THAT BURDEN COULD BE PASSED TO COUNTRIES WHICH HAD NO REAL INTEREST. WIDJOJO THOUGHT CF MIGHT BE INCENTIVE FOR FORMATION ADDITIONAL ICAS. COOPER SAID OUR ASSESSMENT WAS THAT FINANCING WAS NOT A MAJOR BARRIER TO NEW ICAS. HE AGREED HOWEVER THAT IF ONE HAD 6 ICAS LESS FINANCIAL RESOURCES WOULD BE REQUIRED FOR THE SEVENTH BECAUSE OF POOLING WITH ORIGINAL 6. ON THE OTHER HAND G-77 TYPE CF WITH DIRECT CONTRIBUTIONS MIGHT BE EXHAUSTED BY THE TIME OF 7TH ICA. IN RESPONSE TO QUESTIONS HE NOTED THAT US WAS OPEN-MINDED ON ADDITIONAL ICAS BUT STUDIES WE HAD DONE INDICATED BUFFER STOCK TYPE AGREEMENTS WERE NOT TECHNICALLY FEASIBLE FOR MOST OTHER COMMODITIES.

VALDEPENAS (PHILIPPINES) ASKED WHETHER COMMODITY PRICE STABILIZATION DID NOT CREATE MACROECONOMIC BENEFIT -- I.E. WHAT IS THE COST OF PRICE INSTABILITY WE HAVE EXPERIENCED. COOPER AGREED THAT PRICE STABILITY WOULD BRING BENEFITS BUT PRECISE MEASUREMENT OF CONSUMER GAINS WAS DIFFICULT.

12. IN CONCLUDING DISCUSSION ASEAN REPS STRESSED US POLITICAL PLEDGE TO PURSUE NEGOTIATIONS PROMPTLY AS STATED IN JOINT PRESS STATEMENT AND PRESS CONFERENCE. COOPER SAID WE HAD TRIED TO EXPLAIN PRACTICAL DIFFICULTIES WE FACED WITH CONGRESS. IT WOULD DO NO GOOD TO NEGOTIATE CF WHICH CONGRESS WOULD REJECT. HE THOUGHT WE COULD DEVELOP AN ACCEPTABLE CF AND WE NEEDED TO WORK OUT TWO OR THREE SOLUTIONS WHICH WE COULD PUT TO OUR CHIEFS, GAIN LIMITED OFFICIAL USE
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THEIR ACCEPTANCE AND THEN GO TO FORMAL NEGOTIATIONS. WIDJOJO AGREED AND SAID HE SAW FOUR PROBLEM AREAS ON WHICH WE HAD TO WORK: DIRECT CONTRIBUTIONS, TERMS OF REFERENCE OF THE FUND, SECOND WINDOW AND VOTING STRUCTURE. OF THESE DIRECT CONTRIBUTIONS HAD TOP PRIORITY FOR THE G-77. COOPER AND WIDJOJO AGREED THAT EXCHANGE OF VIEWS HAD BEEN VERY HELPFUL AND THAT WE SHOULD REMAIN IN CLOSE TOUCH IN COMING MONTHS.

13. ABOVE IS FOR YOUR BACKGROUND INFORMATION ONLY. CHRISTOPHER

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TO AMEMBASSY CANBERRA

AMEMBASSY WELLINGTON

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FOLLOWING REPEAT STATE 204347 ACTION NEW DELHI DATED -7& 15:

QTE: LIMITED OFFICIAL USE STATE 204347

US ESCAP DELEGATION - D. SCHWARTZ

FOLLOWING REPEAT STATE 204347 SENT ACTION BANGKOK, JAKARTA,
KUALA LUMPUR, MANILA, SINGAPORE INFO TOKYO, GENEVA,
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8. WIDJOJO RESPONDED BY OUTLINING POLITICAL IMPORTANCE TO ASEAN OF SERIES OF MEETINGS IN 1979: G-77 ASIA GROUP IN FEBRUARY, MARCH G-77 MEETING AND UNCTAD V IN MANILA.

WIDJOJO SAID ASEAN LIKE U.S. WOULD NOT LIKE TO SEE CF NEGOTIATIONS FORMALLY RESUME IN NOVEMBER OR DECEMBER WITHOUT FIRST HAVING PROSPECT OF AGREEMENT. WE NEED AN UNDERSTANDING IN ADVANCE BETWEEN GROUP B AND G-77 SO NEGOTIATING CONFERENCE COULD WORK ON TEXTS -- THE MAJOR ISSUES WOULD HAVE TO BE AGREED ON IN ADVANCE. WE WOULD HAVE TO WORK OUT AN UNDERSTANDING AND MAKE SURE G-77 HAD A CONSENSUS IT COULD FULLY SUPPORT. THEREFORE WE MUST USE COMING MONTHS TO CONCENTRATE ON DOING OUR HOMEWORK. WE ALSO HAVE TO KEEP THE POLITICAL IMPRESSION IN MIND. ASEAN WOULD LIKE TO HAVE ALL COUNTRIES PARTICIPATE INCLUDING GROUP D WHICH UP TO NOW HAD DONE NOTHING. XUTO WELCOMED QTE POLITICAL WILL UNQTE OF U.S. FOR EARLY SUCCESSFUL NEGOTIATIONS AND AGREED WE WOULD NEED TO HAVE ROUGH IDEA OF TYPE OF CF WE CAN HAVE BEFORE NOVEMBER NEGOTIATIONS. HE WAS PLEASED THAT U.S. SUPPORTED OTHER MEASURES AND SAID THAT ASEAN AGREED ON R AND D AND PRODUCT IMPROVEMENT. ON CAPITAL STRUCTURE HE SAID G-77 WAS CONSIDERING 3-TIER SYSTEM FOR DIRECT CONTRIBUTIONS AND REITERATED THAT DIRECT CONTRIBUTION IDEA COULD NOT LIMITED OFFICIAL USE
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BE DISCARDED.

9. DECISION-MAKING: WIDJOJO EXPLAINED G-77 FELT STRONGLY THAT CF SHOULD NOT BE REPLICA OF IMF OR IBRD -- SOME ADJUSTMENTS WOULD HAVE TO BE MADE TO GIVE LDCS A GREATER ROLE. COOPER GAVE FOLLOWING EXAMPLES: (A) ONE MIGHT DERIVE VOTING SYSTEM BY TAKING OVER VOTING STRUCTURE OF INDIVIDUAL ICAS AND APPLYING IT TO CF THUS REFLECTING BOTH CONSUMER AND PRODUCER INTERESTS -- COUNTRY WOULD GET PRODUCER AND CONSUMER POINTS FROM POSITIONS IN THE ICAS AND THEN ADD THEM TO GET TOTAL VOTING WEIGHT IN CF; (B) COREA HAD BEEN THINKING OF VOTING SYSTEM MODELED ON PRIVATE CORPORATION WHERE VOTE CORRESPONDED TO SHAREHOLDING. ASEAN REPRESENTATIVES CLEARLY PREFERRED GREATER ROLE FOR LDCS AND COOPER ARGUED HIS SUGGESTION WOULD GIVE WEIGHT TO PRODUCER INTERESTS. BOTH SIDES AGREED THAT DECISION-MAKING AND VOTING WERE IMPORTANT ELEMENTS WE SHOULD BE FURTHER EXPLORED. COOPER NOTED THAT WE HAD REPORTS THAT COREA BELIEVED HE HAD RECEIVED SUPPORT FOR DIRECT CONTRIBUTIONS IN HIS DISCUSSIONS WITH PRIVATE BANKERS. THEY THOUGHT CF WITH LARGE CAPITAL WOULD HELP ITS IMAGE WHEN IT APPROACH THE MARKET. THE NUANCE WE

GET IN OUR CONVERSATIONS WITH BANKERS IS THAT WHILE DIRECT CONTRIBUTIONS ARE DESIREABLE THEY ARE NOT A NECESSARY CONDITION. WHAT IS IMPORTANT, HOWEVER, IS GOVERNMENT GUARANTEES BEHIND CF. JUNZ ADDED THAT TREASURY CONVERSATIONS WITH BANKERS INDICATED THAT BANKERS JUDGMENT AS TO THE SKILL AND AUTHORITY OF MANAGEMENT

TEAM WOULD HAVE GREAT INFLUENCE OF CF CREDIT-WORTHINESS.

10. DIRECT CONTRIBUTION AND LINK BETWEEN ICAS AND CF:
COOPER NOTED THAT IF A STRONG ECONOMIC ARGUMENT COULD
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BE MADE WE COULD CONSIDER IT CLOSELY, BUT 100 MILLION DOLLARS IS A SUBSTANTIAL SUM AND WE NEED AN ANSWER AS TO WHY IT SHOULD BE CONTRIBUTED (BUT PROBLEMS CITED PARA 5 STILL APPLY). HE WENT ON TO EXPLAIN THAT POOLING OF RESOURCES OF ICAS CREATED REAL ECONOMIES AND THAT CF HAD REAL ROLE IN MOVING EXCESS FUNDS FROM ONE ICA TO HELP ANOTHER. WITH SEVERAL ICAS NOW IN EXISTENCE, PRICES WOULD BE HIGH FOR SOME WHEN OTHERS WERE LOW (COFFEE NOW HIGH, SUGAR LOW). A LINK COULD PERHAPS BE MADE BETWEEN GUARANTEES BEHIND INDIVIDUAL ICAS AND CF BUT WE HAVE NOT FOCUSED MUCH ON THIS QUESTION.

COOPER REITERATED PROBLEMS WE HAVE WITH EXTREME RELUCTANCE OF CONGRESS TO APPROPRIATE MONEY OR APPROVE GUARANTEES FOR PURPOSE IT HAS NOT EXPLICITLY APPROVED. THIS ATTITUDE MAY LAST FOR ANOTHER 10 YEARS. CONGRESS IS DISTRUSTFUL OF BOTH YOU AND US AND HAS REASSERTED ITS CONTROL. WE MUST BE SENSITIVE TO THIS. PERHAPS WE CAN WORK OUT SOME TRADE OFF BETWEEN DECISION-MAKING AND FINANCING ARRANGEMENTS FOR THE CF. WIDJOJO EXPRESSED CONCERN THAT IF THERE ARE NO DIRECT CONTRIBUTIONS THERE WILL NOT BE ENOUGH PARTICIPATION IN ICAS. COOPER BELIEVED SUCH UNIVERSAL PARTICIPATION COULD BE ACHIEVED THROUGH ICAS SINCE MOST COUNTRIES HAVE EITHER A PRODUCER OR CONSUMER INTEREST. KHOSA OF MALAYSIA THOUGHT BURDEN ON CERTAIN PRODUCERS WOULD BE TOO HEAVY IN SYSTEM BASED ON INDIVIDUAL ICAS. (HIS LATER REMARKS ALSO INDICATED RELUCTANCE TO PUT TIN MONEY IN CF.) OTHERS SHOULD HELP SHARE THAT BURDEN. COOPER DOUBTED THAT CF COULD PASS THE BURDEN OFF TO COUNTRIES WHICH DID NOT HAVE A REAL INTEREST. POLITICAL ARGUMENTS MIGHT BE USED TO GET A SMALL CONTRIBUTION I.E. 150 COUNTRIES MIGHT PUT IN 100 TO 200,000 DOLLARS BUT THIS WOULD ONLY YIELD 15-30 MILLION DOLLARS.

THIS APPROACH WOULD ONLY WORK IF RICH PERSIAN GULF COUNTRIES WANTED TO SERVE AS BENEFACTORS AND MAKE A
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BIG CONTRIBUTION -- BUT THERE IS NOTHING IN IT FOR THEM IN REAL ECONOMIC TERMS. COOPER REITERATED THAT CF BASED ON ICA POOLING APPROACH WOULD YIELD REAL SAVINGS. WIDJOJO ARGUED THAT CF WOULD BE ABLE TO GET BETTER TERMS IN CAPITAL MARKETS. COOPER AGREED THAT CF AS SINGLE LARGE INSTITUTION AND LARGE BORROWER WOULD HAVE AN ADVANTAGE AND THIS WAS WORTH SOMETHING. IN RESPONSE TO ASEAN QUESTIONS COOPER GAVE DETAILED EXPLANATION OF

FINANCIAL BENEFIT TO GOVERNMENTS FROM CF BASED ON POOLING OF RESOURCES OF INDIVIDUAL ICAS WHICH WE NOW HAVE OR WHICH ARE UNDER SERIOUS DISCUSSION -- COFFEE, COCOA, SUGAR, TIN, RUBBER AND COPPER.

11. ON FINANCING FORMULA, WIDJOJO SUGGESTED THAT SOLUTION MIGHT LIE IN MINIMUM EQUAL CONTRIBUTIONS BY ALL WITH ADDITIONAL CONTRIBUTIONS ON TOP BASED ON ANOTHER FORMULA. COOPER POINTED OUT THAT IF THE UN FORMULA WERE USED SOME COUNTRIES CONTRIBUTIONS WOULD EXCEED THEIR SHARE IN THE TRADE AND WE HAD TO ASK WHETHER COUNTRIES WOULD BE WILLING TO DO THIS. HE AGREED NEVERTHELESS THAT WE SHOULD DO THE NECESSARY CALCULATIONS BASED ON THE 6 COMMODITIES AND SEE HOW THEY MATCHED UP. KHOSA THOUGHT G-77 MIGHT ACCEPT FINANCING HAVING THREE ELEMENTS -- AN EQUAL SHARE, A SHARE BASED ON ABILITY TO PAY (UN FORMULA) AND A TRADE-BASED SHARE (THE QUESTION OF WEIGHTS WAS OPEN). WIDJOJO SAID THAT IF WE WENT ROUTE OF INDIVIDUAL ICAS WE WOULD NEVER GET THE PERSIAN GULF COUNTRIES; BUT WE MIGHT GET THEIR CONTRIBUTION IF WE WENT THE DIRECT CONTRIBUTION ROUTE. COOPER AGREED THAT THERE MIGHT BE SOME ADVANTAGES TO UNIVERSAL PARTICIPATION BUT THE REAL QUESTION WAS WHETHER THESE COUNTRIES HAD ANY REAL REASON TO JOIN CF. WIDJOJO GAVE THREE REASONS (A) REDUCED LIMITED OFFICIAL USE
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BURDEN ON PRODUCERS (B) ABILITY TO ATTRACT CAPITAL AT EASIER TERMS (C) LENDING AT BETTER TERMS. COOPER REMAINED DUBIOUS THAT BURDEN COULD BE PASSED TO COUNTRIES WHICH HAD NO REAL INTEREST. WIDJOJO THOUGHT CF MIGHT BE INCENTIVE FOR FORMATION ADDITIONAL ICAS. COOPER SAID OUR ASSESSMENT WAS THAT FINANCING WAS NOT A MAJOR BARRIER TO NEW ICAS. HE AGREED HOWEVER THAT IF ONE HAD 6 ICAS LESS FINANCIAL RESOURCES WOULD BE REQUIRED FOR THE SEVENTH BECAUSE OF POOLING WITH ORIGINAL 6. ON THE OTHER HAND G-77 TYPE CF WITH DIRECT CONTRIBUTIONS MIGHT BE EXHAUSTED BY THE TIME OF 7TH ICA. IN RESPONSE TO QUESTIONS HE NOTED THAT US WAS OPEN-MINDED ON ADDITIONAL ICAS BUT STUIDES WE HAD DONE INDICATED BUFFER STOCK

TYPE AGREEMENTS WERE NOT TECHNICALLY FEASIBLE FOR MOST
OTHER COMMODITIES.

VALDEPENAS (PHILIPPINES) ASKED WHETHER COMMODITY PRICE
STABILIZATION DID NOT CREATE MACROECONOMIC BENEFIT --
I.E. WHAT IS THE COST OF PRICE INSTABILITY WE HAVE
EXPERIENCED. COOPER AGREED THAT PRICE STABILITY WOULD
BRING BENEFITS BUT PRECISE MEASUREMENT OF CONSUMER GAINS
WAS DIFFICULT.

12. IN CONCLUDING DISCUSSION ASEAN REPS STRESSED US
POLITICAL PLEDGE TO PURSUE NEGOTIATIONS PROMPTLY AS STATED
IN JOINT PRESS STATEMENT AND PRESS CONFERENCE. COOPER
SAID WE HAD TRIED TO EXPLAIN PRACTICAL DIFFICULTIES WE
FACED WITH CONGRESS. IT WOULD DO NO GOOD TO NEGOTIATE
CF WHICH CONGRESS WOULD REJECT. HE THOUGHT WE COULD
DEVELOP AN ACCEPTABLE CF AND WE NEEDED TO WORK OUT TWO
OR THREE SOLUTIONS WHICH WE COULD PUT TO OUR CHIEFS, GAIN
THEIR ACCEPTANCE AND THEN GO TO FORMAL NEGOTIATIONS.
WIDJOJO AGREED AND SAID HE SAW FOUR PROBLEM AREAS ON
WHICH WE HAD TO WORK: DIRECT CONTRIBUTIONS, TERMS OF
REFERENCE OF THE FUND, SECOND WINDOW AND VOTING STRUCTURE.
OF THESE DIRECT CONTRIBUTIONS HAD TOP PRIORITY FOR THE
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G-77. COOPER AND WIDJOJO AGREED THAT EXCHANGE OF VIEWS
HAD BEEN VERY HELPFUL AND THAT WE SHOULD REMAIN IN CLOSE
TOUCH IN COMING MONTHS.

13. ABOVE IS FOR YOUR BACKGROUND INFORMATION ONLY. CHRISTOPHER
UNQUOTE CHRISTOPHER UNQTE VANCE

NOTE BY ANA - THIS IS SECOND REPEAT. FIRST REPEAT DID NOT HAVE
ORIGINAL DISTRIBUTION ON IT.

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US ESCAP DELEGATION - D. SCHWARTZ

FOLLOWING REPEAT STATE 204347 SENT ACTION BANGKOK, JAKARTA, KUALA LUMPUR, MANILA, SINGAPORE INFO TOKYO, GENEVA, PARIS, BRUSSELS, BONN, LONDON, OTTAWA AUG 12.

QUOTE: LIMITED OFFICIAL USE STATE 204347

USOECD, USEEC

E.O. 11652: N/A

TAGS: ETRD

SUBJECT: US-ASEAN DISCUSSION ON COMMON FUND

REF: STATE 198329

1. SUMMARY: ON AUGUST 4 UNDER SECRETARY COOPER HELD DETAILED SUBSTANTIVE DISCUSSION OF COMMON FUND WITH TEAM OF ASEAN ECONOMIC MINISTERS AND SENIOR OFFICIALS HEADED BY WIDJOJO AND VIRATA. HE INDICATED THAT WE SHOULD HAVE LIMITED OFFICIAL USE
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A CLEAR UNDERSTANDING ON ELEMENTS OF A FINAL PACKAGE BEFORE ENTERING THE FORMAL NEGOTIATING STAGE. COOPER EXPLAINED THE SEVERE PROBLEMS WE WOULD HAVE WITH CONGRESS IN JUSTIFYING DIRECT CONTRIBUTIONS TO CF WHICH MIGHT THEN BE USED TO FINANCE A COMMODITY AGREEMENT THE U.S. HAD NOT APPROVED. HE ALSO POINTED OUT THAT THE SECOND WINDOW WOULD BE RESISTED ON THE HILL AS ANOTHER MULTILATERAL AID INSTITUTION. HE MADE CLEAR, HOWEVER, THAT THIS DID NOT MEAN THAT THE U.S. WAS AGAINST QTE OTHER MEASURES UNQTE. ON THE CONTRARY, THE U.S. FAVORED OTHER MEASURES SUCH AS MARKET DEVELOPMENT AND R AND D. THE INTERNATIONAL WOOL SECRETARIAT WAS EXCELLENT EXAMPLE OF WHAT COULD BE DONE. COOPER ALSO EXPLAINED THAT BOTH SIDES NEEDED TO LOOK AT VOTING RIGHTS AND TERMS OF REFERENCE OF CF TO FIND ELEMENTS WHICH COULD BE USED TO DEVELOP A MUTUALLY SATISFACTORY SOLUTION.

THE ASEAN SIDE LED BY WIDJOJO MADE A POINT OF CITING JOINT PRESS STATEMENT LANGUAGE ON CF AND WELCOMED THE U.S. COMMITMENT TO EARLY RESUMPTION OF NEGOTIATIONS. THEY ALSO AGREED WE SHOULD NOT ENTER A FORMAL NEGOTIATING CONFERENCE WITHOUT AN UNDERSTANDING BETWEEN THE G-77 AND GROUP B ON MAJOR ELEMENTS OF CF. THEY MADE CLEAR THEY CONSIDERED DIRECT CONTRIBUTIONS THE SINE QUE NON FOR THE G-77, BUT

CONCEDED THAT THE G-77 HAD NOT THOUGHT MUCH ABOUT VOTING RIGHTS IN CF. THEY STRESSED, HOWEVER, THAT THEY WANTED SOMETHING THAT WOULD GIVE THEM A GREATER ROLE THAN THEY HAD IN THE IMF OR IBRD. END SUMMARY.

2. GIVEN LIMITED TIME AVAILABLE IN PLENARY SESSION FOR DETAILED EXCHANGE OF VIEWS ON KEY COMMODITY ISSUES, ESPECIALLY COMMON FUND, UNDER SECRETARY COOPER AGREED TO SIDE TALKS WITH TOP ASEAN ECONOMIC MINISTERS AND OFFICIALS.
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DETAILED DISCUSSION HELD AUGUST 4 FROM 5:00 TO 7:30 P.M. US SIDE LED BY COOPER INCLUDED HORMATS, HEGINBOTHAM AND ALBRECHT (STATE), ERB (NSC) AND JUNZ (TREASURY). ASEAN SIDE WAS LED BY WIDJOJO (INDONESIA) AND VIRATA (PHILIPPINES) AND INCLUDED GOH (SINGAPORE), KHOSA SINGH (MALAYSIA), GENEVA-BASED AMBASSADOR XUTO (THAILAND)

3. COOPER OFFERED TO DISCUSS CF, INDIVIDUAL COMMODITIES, UN COMMITTEE OF THE WHOLE, IMF COMPENSATORY FINANCING FACILITY AND UNCTAD V. ASEAN SIDE REPLIED THEY WISHED TO CONCENTRATE ON CF.

4. COOPER LED OFF AND REVIEWED CURRENT STATE OF PLAY INCLUDING INFORMAL DISCUSSIONS HELD BY COREA CITING CONSTRUCTIVE ROLE PLAYED BY ALATAS OF INDONESIA. HE NOTED IMPORTANT QUESTION OF DECISION-MAKING HAD NOT YET BEEN DISCUSSED. COREA WAS PLANNING ANOTHER MEETING IN 5-6 WEEKS AND WE HOPED NEGOTIATIONS WOULD RESUME BEFORE THE END OF THE YEAR AND WOULD BE SUCCESSFUL. IT WAS NOT IN OUR INTEREST OR THAT OF G-77 THAT NEGOTIATING CONFERENCE BE A REPETITION OF LAST YEAR. WE THEREFORE HAD TO BE CLEAR ON THE MAJOR ELEMENTS BEFORE A NEGOTIATING CONFERENCE BEGINS IN ORDER TO ENSURE THE SUCCESS DESIRED BY THE U.S. AND REFLECTED IN STATEMENTS BY SECRETARIES VANCE AND BLUMENTHAL.

5. COOPER CITED TWO KEY ISSUES WHICH POSED PROBLEMS FOR THE U.S.: DIRECT CONTRIBUTION AND THE SECOND WINDOW. IN BOTH CASES OUR PROBLEMS STEMMED FROM CONGRESSIONAL CONCERN OVER APPROPRIATING MONEY TO INSTITUTIONS WHOSE DETAILED PURPOSES HAD NOT BEEN DEFINED. DIRECT CONTRIBUTION TO THE FIRST WINDOW WOULD BE A PROBLEM SINCE THE CF COULD PROVIDE FUNDS TO ASSIST AN ICA WHICH HAD NOT YET BEEN APPROVED OR HAD BEEN REJECTED BY CONGRESS. WE WOULD LIKE TO DEVISE A MECHANISM WHEREBY WE COULD ASSURE CONGRESS THAT THEY WILL BE ABLE TO APPROVE EACH ICA AS IT COMES
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UP. THE PROBLEM ON THE SECOND WINDOW IS THAT CONGRESS WILL SEE IT AS YET ANOTHER AID-GIVING DEVICE. WE ARE ALREADY HAVING PROBLEMS MEETING OUR PLEDGES AND ARE 800 MILLION DOLLARS IN ARREARS ON PAYMENTS TO IFIS. WE FEAR THAT IF WE ASK FOR CONTRIBUTION TO AN AID TYPE SECOND WINDOW THIS WILL COMPLICATE CONGRESSIONAL APPROVAL OF A CF EVEN FURTHER AND IN THAT SENSE THE SECOND WINDOW IS THE ENEMY OF THE FIRST.

6. COOPER EMPHASIZED THAT US CONCERNS OVER SECOND WINDOW SHOULD NOT BE INTERPRETED AS OPPOSITION TO QTE OTHER MEASURES UNQTE. ON THE CONTRARY WE HAVE CONCLUDED THAT THERE ARE IMPORTANT AREAS NOT ADEQUATELY COVERED BY EXISTING INSTITUTIONS E.G. MARKET DEVELOPMENT SCHEMES, PRODUCT IMPROVEMENT AND PRODUCTIVITY GAINS ESPECIALLY FOR AGRICULTURAL PRODUCTS. INTERNATIONAL WOOL SECRETARIAT IN LONDON IS GOOD MODEL OF WHAT CAN BE DONE ON PRODUCT R AND D AND MARKETING AND WE WOULD BE PREPARED TO CONTRIBUTE TO THIS KIND OF APPROACH FOR OTHER COMMODITIES.

7. COOPER EXPLAINED THAT PROBLEM WITH SECOND WINDOW WAS THE FINANCIAL ASPECT. WE COULD SEE A COORDINATING ROLE FOR CF IN OTHER MEASURES. IF OTHER ELEMENTS FELL INTO PLACE, US IN THE END COULD PROBABLY ACCEPT A SECOND WINDOW WITH VOLUNTARY CONTRIBUTIONS. HOWEVER, U.S. COULD NOT CONTRIBUTE IN THE FORESEEABLE FUTURE. WE HAVE NOT SAID MUCH ABOUT THIS FOR FEAR WE WOULD GIVE OTHER NATIONS AN EXCUSE FOR NOT CONTRIBUTING BUT THERE IS SOME ROOM FOR MANEUVER IN THIS AREA. ON DIRECT CONTRIBUTIONS TO THE FIRST WINDOW WHAT WE NEED IS A CLEAR ECONOMIC RATIONALE TO ARGUE BEFORE CONGRESS. WE COULD NOT SEE SUCH A RATIONALE NOR HAD THE G-77 PROVIDED ONE. AS SECRETARY VANCE SAID WE WANT TO SEE A SUCCESSFUL CONCLUSION. GROUP LIMITED OFFICIAL USE LIMITED OFFICIAL USE

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B PREPARED AN HONEST PROPOSAL BUT BY EXCLUDING OTHER MEASURES IT WAS ADMITTEDLY NOT A COMPLETE ONE. WE HOPE THIS FALL WE CAN HAVE FURTHER INFORMAL CONVERSATIONS TO PREPARE FOR NEGOTIATIONS AND REACH UNDERSTANDING ON THE SHAPE OF AN AGREEMENT BEFORE THE FORMAL NEGOTIATIONS BEGIN.

8. WIDJOJO RESPONDED BY OUTLINING POLITICAL IMPORTANCE TO ASEAN OF SERIES OF MEETINGS IN 1979: G-77 ASIA GROUP IN FEBRUARY, MARCH G-77 MEETING AND UNCTAD V IN MANILA.

WIDJOJO SAID ASEAN LIKE U.S. WOULD NOT LIKE TO SEE CF NEGOTIATIONSFORMALLYRESUME IN NOVEMBER OR DECEMBER WITHOUT FIRST HAVING PROSPECT OF AGREEMENT. WE NEED AN UNDERSTANDING IN ADVANCE BETWEEN GROUP B AND G-77 SO

NEGOTIATING CONFERENCE COULD WORK ON TEXTS -- THE MAJOR ISSUES WOULD HAVE TO BE AGREED ON IN ADVANCE. WE WOULD HAVE TO WORK OUT AN UNDERSTANDING AND MAKE SURE G-77 HAD A CONSENSUS IT COULD FULLY SUPPORT. THEREFORE WE MUST USE COMING MONTHS TO CONCENTRATE ON DOING OUR HOMEWORK. WE ALSO HAVE TO KEEP THE POLITICAL IMPRESSION IN MIND. ASEAN WOULD LIKE TO HAVE ALL COUNTRIES PARTICIPATE INCLUDING GROUP D WHICH UP TO NOW HAD DONE NOTHING. XUTO WELCOMED QTE POLITICAL WILL UNQTE OF U.S. FOR EARLY SUCCESSFUL NEGOTIATIONS AND AGREED WE WOULD NEED TO HAVE ROUGH IDEA OF TYPE OF CF WE CAN HAVE BEFORE NOVEMBER NEGOTIATIONS. HE WAS PLEASED THAT U.S. SUPPORTED OTHER MEASURES AND SAID THAT ASEAN AGREED ON R AND D AND PRODUCT IMPROVEMENT. ON CAPITAL STRUCTURE HE SAID G-77 WAS CONSIDERING 3-TIER SYSTEM FOR DIRECT CONTRIBUTIONS AND REITERATED THAT DIRECT CONTRIBUTION IDEA COULD NOT BE DISCARDED.

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VALDEPENAS (PHILIPPINES) ASKED WHETHER COMMODITY PRICE STABILIZATION DID NOT CREATE MACROECONOMIC BENEFIT -- I.E. WHAT IS THE COST OF PRICE INSTABILITY WE HAVE EXPERIENCED. COOPER AGREED THAT PRICE STABILITY WOULD BRING BENEFITS BUT PRECISE MEASUREMENT OF CONSUMER GAINS WAS DIFFICULT.

12. IN CONCLUDING DISCUSSION ASEAN REPS STRESSED US

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OR THREE SOLUTIONS WHICH WE COULD PUT TO OUR CHIEFS, GAIN
THEIR ACCEPTANCE AND THEN GO TO FORMAL NEGOTIATIONS.
WIDJOJO AGREED AND SAID HE SAW FOUR PROBLEM AREAS ON
WHICH WE HAD TO WORK: DIRECT CONTRIBUTIONS, TERMS OF
REFERENCE OF THE FUND, SECOND WINDOW AND VOTING STRUCTURE.
OF THESE DIRECT CONTRIBUTIONS HAD TOP PRIORITY FOR THE
G-77. COOPER AND WIDJOJO AGREED THAT EXCHANGE OF VIEWS
HAD BEEN VERY HELPFUL AND THAT WE SHOULD REMAIN IN CLOSE
TOUCH IN COMING MONTHS.

13. ABOVE IS FOR YOUR BACKGROUND INFORMATION ONLY. CHRISTOPHER
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Message Attributes

Automatic Decaptioning: X
Capture Date: 26 sep 1999
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: FINANCIAL CONTRIBUTIONS
Control Number: n/a
Copy: SINGLE
Draft Date: 12 aug 1978
Decaption Date: 01 jan 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 20 Mar 2014
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1978STATE204347
Document Source: ADS
Document Unique ID: 00
Drafter: EA/EP:ACALBRECHT:STMCP
Enclosure: n/a
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Errors: n/a
Expiration:
Film Number: D780330-0995
Format: TEL
From: STATE
Handling Restrictions: n/a
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Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 21
Previous Channel Indicators:
Previous Classification: LIMITED OFFICIAL USE
Previous Handling Restrictions: n/a
Reference: STATE 198329
Retention: 0
Review Action: RELEASED, APPROVED
Review Content Flags:
Review Date: 01 may 2005
Review Event:
Review Exemptions: n/a
Review Media Identifier:
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
SAS ID: 1588200
Secure: OPEN
Status: NATIVE
Subject: US-ASEAN DISCUSSION ON COMMON FUND
TAGS: ETRD, PORG, EFIN, US, ASEAN
To: BANGKOK JAKARTA MULTIPLE
Type: TE
vdkgvwkey: odb://SAS/SAS.dbo.SAS_Docs/7bd2f759-c288-dd11-92da-001cc4696bcc
Review Markings:
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